



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 14, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES – A
COMMUNITY AND SENIOR SERVICES' WORKFORCE INVESTMENT
ACT AND LOS ANGELES COUNTY YOUTH JOBS PROGRAMS
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Housing Authority of the City of Los Angeles (HACLA or Agency), which included a sample of transactions from Fiscal Years (FY) 2013-14 and 2014-15. Community and Senior Services (CSS) contracts with HACLA to provide Workforce Investment Act (WIA) and Los Angeles County Youth Jobs (LAC Youth Jobs) Programs services.

The purpose of our review was to determine whether HACLA appropriately accounted for and spent WIA and LAC Youth Jobs Programs funds to provide the services specified in their County contracts. We also evaluated the Agency's financial records, internal controls, and compliance with their County contracts and applicable guidelines.

CSS paid HACLA approximately \$568,001 on a cost-reimbursement basis during FY 2014-15 and \$26,239 during FY 2013-14. HACLA provides services to residents of the First and Second Supervisorial Districts.

Results of Review

HACLA charged CSS \$46,200 in unallowable and unsupported expenditures. Specifically, HACLA:

- Allocated \$34,065 in payroll expenditures based on estimated percentages and not on an equitable basis based on actual conditions as required by Section D.3, Attachment A of the Office of Management and Budget (OMB) Circular A-122. Subsequent to our review, HACLA provided additional documentation to support \$4,332 of the \$34,065 in questioned costs. The remaining questioned costs totaled \$29,733.

HACLA's attached response indicates that they have since implemented our recommendation to ensure employees report total hours worked each day by program on their timecards. In addition, they will reallocate payroll expenditures on an equitable basis and repay CSS for any over allocated amounts.

- Inappropriately charged CSS \$4,442 for client wages paid to seven clients not enrolled in the County's LAC Youth Jobs Program.

HACLA's attached response indicates that they will repay CSS \$4,442.

- Allocated \$4,008 in shared expenditures, such as insurance, telephone, and vehicle fuel and repair expenditures, based on estimated percentages and not on an equitable basis based on actual conditions as required by Section D.3, Attachment A of the OMB Circular A-122.

HACLA's attached response indicates that they will reallocate shared expenditures based on an equitable basis and repay CSS for any over allocated amounts.

- Charged CSS \$2,305 in unallowable expenditures for supportive services, such as bus tokens, work uniforms, and books, that were provided to individuals not enrolled in the County's WIA and LAC Youth Jobs Programs. Subsequent to our review, HACLA provided additional documentation, such as an updated client listing, to support \$1,557 of the \$2,305 in questioned costs. The remaining questioned costs totaled \$748.

HACLA's attached response indicates that they will repay CSS \$748.

- Did not maintain adequate documentation, such as canceled checks and signed receipts, to support \$1,380 in direct Program expenditures. Subsequent to our review, HACLA provided clients' signed receipts and proof of payments to support the \$1,380 in questioned costs.

HACLA's attached response indicates that they have since implemented our recommendation to ensure adequate supporting documentation is maintained to support all expenditures.

In addition, HACLA did not always comply with their WIA, LAC Youth Jobs, and other County contract requirements. For example, HACLA did not maintain:

- Adequate documentation, such as proof of income, to support the eligibility for two (13%) of the 15 WIA clients reviewed as required by WIA Directive ADWY D14-01.

HACLA's attached response indicates that they have since implemented our recommendation to ensure eligibility documentation is maintained in clients' case files.

- Appropriate documentation to substantiate that all five (100%) worksite supervisors reviewed were aware of their responsibilities and received orientation concerning the LAC Youth Jobs Program as required by Section 7.3 of Exhibit A of their County contract. Subsequent to our review, HACLA provided additional documentation to support that three of the five worksite supervisors reviewed received the required orientation.

HACLA's attached response indicates that they have since implemented our recommendation and are now maintaining verification forms to support worksite supervisors received the required orientation for the LAC Youth Jobs Program.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with HACLA and CSS. HACLA's attached response (Attachment II) indicates that they concurred with our findings and recommendations. CSS management will work with HACLA to ensure our recommendations are implemented.

We thank HACLA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

Attachments

JN:AB:PH:DC:YP:iw

c: Sachi A. Hamai, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Kimberly Freeman, Chairperson, Board of Commissioners, HACLA
Douglas Guthrie, President and CEO, HACLA
Public Information Office
Audit Committee

**HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
WORKFORCE INVESTMENT ACT AND
LOS ANGELES COUNTY YOUTH JOBS PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2013-14 AND 2014-15**

ELIGIBILITY

Objective

Determine whether Housing Authority of the City of Los Angeles (HACLA or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received the Workforce Investment Act (WIA) and Los Angeles County Youth Jobs (LAC Youth Jobs) Programs services.

Verification

We reviewed the documentation stored in the case files for 30 (10%) of the 287 clients that the Agency claimed received the WIA and LAC Youth Jobs Programs services from July 2014 through February 2015.

Results

HACLA maintained documentation to support the eligibility for all 15 clients reviewed that received LAC Youth Jobs Program services. However, HACLA did not maintain adequate documentation, such as proof of income, to support the eligibility for two (13%) of the 15 clients reviewed that received WIA Program services as required by WIA Directive ADWY D14-01. HACLA did not charge Community and Senior Services (CSS) for direct expenditures related to the ineligible clients. However, HACLA may have charged CSS for indirect expenditures related to Program services provided to the ineligible clients, such as staff time.

Recommendations

Housing Authority of the City of Los Angeles management:

- 1. Determine the total indirect expenditures related to Program services provided to the ineligible clients and repay Community and Senior Services.**
- 2. Ensure staff maintains adequate documentation to determine the clients' eligibility for Program services prior to enrollment.**

PROGRAM SERVICES**Objective**

Determine whether HACLA maintained documentation to support the services charged to CSS and whether the clients received the charged services.

Verification

We reviewed the case files for 30 (10%) of the 287 clients that the Agency claimed received WIA and LAC Youth Jobs Programs services from July 2014 through February 2015.

Results

HACLA maintained documentation in the case files to support the services provided to the clients reviewed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether HACLA properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were prepared, and reviewed and approved by Agency management in a timely manner.

Verification

We interviewed HACLA's personnel, and reviewed their financial records and December 2014 and January 2015 bank reconciliations for four bank accounts.

Results

HACLA properly recorded revenue in their financial records and deposited cash receipts into their bank accounts timely. However, HACLA did not always prepare their bank reconciliations within 30 days of the bank statement date as required by Section B.1.4 of the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook). Specifically, HACLA's December 2014 and January 2015 bank reconciliations were not completed until March 2015.

Recommendation

3. **Housing Authority of the City of Los Angeles management ensure bank reconciliations are completed within 30 days of the bank statement date as required.**

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether HACLA developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the WIA and LAC Youth Jobs Programs were allowable, properly documented, and appropriately allocated.

Verification

We interviewed HACLA's personnel, and reviewed their Plan and financial records for 12 non-payroll expenditures, totaling \$9,874, that the Agency charged to the WIA and LAC Youth Jobs Programs from June 2014 through January 2015.

Results

HACLA did not develop a Plan and charged CSS \$7,693 in questioned costs. Specifically, HACLA:

- Allocated \$4,008 in shared expenditures, such as insurance, telephone, and vehicle fuel and repair expenditures, based on estimated percentages and not on an equitable basis based on actual conditions as required by Section D.3, Attachment A of the Office of Management and Budget (OMB) Circular A-122.
- Charged CSS \$2,305 in unallowable expenditures for supportive services, such as bus tokens, work uniforms, and books, that were provided to individuals not enrolled in the County's WIA and LAC Youth Jobs Programs. Subsequent to our review, HACLA provided additional documentation, such as an updated client listing, to support \$1,557 of the \$2,305 in questioned costs. The remaining questioned costs totaled \$748.
- Did not maintain adequate documentation, such as canceled checks and signed receipts, to support \$1,380 in direct Program expenditures. Subsequent to our review, HACLA provided clients' signed receipts and proof of payments to support the \$1,380 in questioned costs.

In addition, HACLA did not always comply with their WIA, LAC Youth Jobs, and other County contract requirements. Specifically, HACLA did not obtain the required number

of price quotations for the procurement of their liability insurance and vehicle repair services over \$1,000 as required by WIA Directive D-DWA-00-037.

Subsequent to our review, HACLA provided a Plan that complied with their County contract requirements.

Recommendations

Housing Authority of the City of Los Angeles management:

- 4. Reallocate \$4,008 and all shared expenditures for Fiscal Years 2013-14 and 2014-15 based their Cost Allocation Plan and repay Community and Senior Services for any over allocated amounts.**
- 5. Repay Community and Senior Services \$748 or provide additional documentation to support the expenditures.**
- 6. Charge Community and Senior Services for allowable expenditures.**
- 7. Maintain adequate documentation to support the expenditures.**
- 8. Use competitive selection in all procurement transactions as required.**

ADMINISTRATIVE COMPLIANCE

Objective

Determine whether the Agency was in compliance with WIA, LAC Youth Jobs, and other County contract administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and conducted an on-site visit.

Results

HACLA did not always comply with their WIA, LAC Youth Jobs, and other County contract administrative requirements. Specifically, HACLA did not maintain:

- Appropriate documentation to substantiate that all five (100%) worksite supervisors reviewed were aware of their responsibilities and received orientation concerning the LAC Youth Jobs Program as required by Section 7.3 of Exhibit A of their County contract. Subsequent to our review, HACLA provided additional documentation to support that three of the five worksite supervisors reviewed received the required orientation.

- An accurate inventory log of Personal Enrichment Training books, or properly safeguard the books as required by Section V of the LAC Youth Jobs Technical Assistance Guide. Specifically, the number of books purchased, issued, and remaining books on-hand did not reconcile to the Agency's inventory log.

Recommendations

Housing Authority of the City of Los Angeles management:

9. **Maintain adequate documentation to support that the worksite supervisors received the required orientation for the Los Angeles County Youth Jobs Program.**
10. **Maintain an inventory log to accurately track the Personal Enrichment Training books and ensure the books are properly safeguarded as required.**

PAYROLL AND PERSONNEL

Objective

Determine whether HACLA and client employers charged payroll expenditures to the WIA and LAC Youth Jobs Programs appropriately, and maintained personnel files as required. In addition, determine whether the Agency obtained background clearances, verified employability, maintained proof of current driver's licenses, and maintained proof of automobile insurance as required.

Verification

We compared the payroll expenditures for 14 employees for June and August 2014 and 22 clients for June 2014 and January 2015, totaling \$50,166, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for five employees.

Results

HACLA maintained the personnel files as required. However, HACLA charged CSS \$38,507 in unallowable and unsupported payroll expenditures. Specifically, HACLA:

- Did not require employees to report total hours worked each day by program on their timecards as required by Section B.3.1 of the A-C Handbook, but allocated \$34,065 in payroll expenditures based on estimated percentages and not on an equitable basis based on actual conditions as required by Section D.3, Attachment A of the OMB Circular A-122. Subsequent to our review, HACLA provided additional documentation to support \$4,332 of the \$34,065 in questioned costs. The remaining questioned costs totaled \$29,733.

- Inappropriately charged CSS \$4,442 for client wages paid to seven clients not enrolled in the County's LAC Youth Jobs Program.

Recommendations

Refer to Recommendation 6.

Housing Authority of the City of Los Angeles management:

- 11. Repay Community and Senior Services \$4,442 or provide additional documentation to support the payroll expenditures.**
- 12. Reallocate Fiscal Years 2013-14 and 2014-15 employee payroll expenditures to Community and Senior Services based on an actual equitable basis and repay Community and Senior Services for any over allocated amounts.**
- 13. Ensure employees report total hours worked each day by program on their timecards.**



HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
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PRESIDENT AND CEO
DOUGLAS GUTHRIE

February 11, 2016

John Naimo, Auditor -Controller
Department of Auditor -Controller
County of Los Angeles
500 West Temple Temples Street
Los Angeles, California 90012

RE: Housing Authority Of City of Los Angeles– A Community and Senior Services' Workforce Investment Act and Los Angeles County Youth Jos Programs Provider – Contract Compliance Review – Fiscal Years 2013-14 and 2014-15

Dear Mr. John Naimo,

In response to the final draft findings and recommendations identified in the fiscal review of the above referenced programs:

1. Determine the total indirect costs related to Program services provided to the ineligible participants and repay Community and Senior Services.

Response – Eligibility criteria is documented in each participant file in the form of an Intake eligibility form. This form will continue to be maintained by program staff consistently and accurately. In addition, all costs billed to CSS were *direct and shared costs* relating to the grant. HACLA has not billed any *indirect costs* to the grants.

Timeline - Implemented

2. Ensure staff maintains adequate documentation to determine the participant's eligibility for Program services prior to enrollment.

Response – As noted above, eligibility criteria is documented in each participant file in the form of an intake eligibility form. In addition, HACLA will continue to rely on the County database for participant enrollment statistics.

Timeline - Implemented

3. Housing Authority of City of Los Angeles management ensures bank reconciliations are completed within 30 days of the bank statement date as required.

Response – Effective FY15/16, all bank reconciliations have been and will continue to be completed within 30 days.

Timeline – Implemented

4. Reallocate \$4,008 and all shared expenditures for Fiscal Years 2013-14 and 2014-15 based on actual equitable basis and repay any over allocated amounts to Community and Senior Services.

Response – HACLA will reevaluate the questioned costs, and reallocate on an equitable basis.

Timeline – We will work closely with Community and Senior Services (CSS) program liaisons to resolve and repay as required. This will be completed for presentation to CSS staff during the resolution/appeal meeting.

5. Repay Community and Senior Services \$748 or provide additional documentation to support the expenditures.

Response – HACLA will be refunding \$748.

Timeline – This will be completed by March 31, 2016.

6. Bill Community and Senior Services for allowable expenditures.

Response – HACLA has taken the necessary steps to ensure that monthly billings include only allowable and actual paid expenditures. HACLA reviews all the supportive services incurred to ensure that the acknowledgement of receipt is available prior to billing the costs, including the review of participant enrollment rosters.

Timeline – Implemented

7. Maintain adequate documentation to support the expenditures.

Response – HACLA maintains adequate support for all expenses. For non-payroll expenses HACLA maintains a pay package which includes an invoice and other supporting documents (i.e. acknowledgement of receipt). All the summer youth participant payroll costs are supported by the timesheets which are reviewed against the participant enrollment rosters. For Staff payroll, HACLA has implemented charging time directly to the program for which work has been performed and supported with timesheets showing time distribution for each employee based on time spent on each program.

Timeline – Implemented

8. Use competitive selection in all procurement transactions as required.

Response – At the time of the audit, HACLA's procurement policy was in compliance with and subject to the Code of Federal Regulations Part 85.36, and 2 CFR 200, particularly 2 CFR 200.318 through 200.326 and other state and federal regulations. Specifically, the micro-purchase policy requires staff to obtain one written quotation if the transaction is \$2,000 or less if the price received is considered reasonable. Nevertheless, effective Program Year 15/16, HACLA has complied with WIA Directive D-DWA-00-037.

Timeline – Implemented

9. Maintain adequate documentation to support that the worksite supervisors received the required orientation for the Los Angeles County Youth Jobs Program.

Response – HACLA maintains worksite orientation verification worksheets which are signed by worksite supervisors after they complete the orientation.

Timeline – Implemented

10. Maintain an inventory log to accurately track the Personal Enrichment Training books and ensure the books are properly safeguarded as required.

Response – HACLA will continue to use the inventory log provided in the TAG track Personal Enrichment Training Books. HACLA will continue to store the books at Estrada Courts in the office of the Admin Youth Specialist in a locked file cabinet.

Timeline – Implemented

11. Repay Community and Senior Services \$4,442 or provide additional documentation to support the payroll costs.

Response – Due to an error in classifying the participant to the specific program in the payroll register, the participants were incorrectly billed to the LACYII and LACYIII programs. The total amount billed (\$4,442) will be refunded to the grantor.

Timeline – This will be completed for presentation to CSS staff during the resolution/appeal meeting.

12. Reallocate Fiscal Years 2013-14 and 2014-15 staff's payroll costs and employee benefits to the Community and Senior Services based on actual equitable basis and repay any over allocated amounts.

Response – HACLA will reevaluate the questioned costs, and reallocate on an equitable basis.

Timeline – We will work closely with Community and Senior Services (CSS) program liaisons to resolve and repay as required. This will be completed for presentation to CSS staff during the resolution/appeal meeting.

13. Ensure employees record total hours worked each day by program on their timecards.

Response – HACLA has implemented charging time directly to the program for which work has been performed and supported with timesheets showing time distribution for each employee based on time spent on each program.

Timeline – Implemented

Summary

In conclusion, HACLA Management takes audit findings very seriously and has implemented the following business process improvements to ensure compliance with the CS&S requirements.

- HACLA has implemented charging time directly to the program based on time spent on each program.
- Implemented enhanced review procedures to validate participant costs against enrollment rosters.
- Formalized a Cost Allocation Plan to ensure shared costs are equitably charged to the various grants.
- HACLA participates in the weekly web meetings to more effectively manage the program.

We appreciate the opportunity to resolve these items. Should you have any additional questions or concerns, please contact Nithya Karunanayake at Nithya.karunanayake@haccla.org or at 213-252-8727.

Sincerely,



Marlene Garza
Chief Financial Officer